

Maha Oya Pradeshiya Sabha

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Ampara District  
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1. Financial Statements  
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1:1 Presentation of Financial Statements  
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The financial statements for the year under review had been presented for audit on 28 February 2014 and the financial statements for the preceding year had been presented on 18 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 January 2015.

1:2 Qualified Opinion  
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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Maha Oya Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Noncompliance with Sri Lanka Public Sector Accounting Standards  
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Financial Statements had not been prepared by adopting the Sri Lanka Public Sector Accounting Standards in accordance with the Circular No.PL/05/BA/ශ්‍රී ලංකා ප්‍රදේශීය දින 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Council.

### 1.3.2 Accounting Deficiencies

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The following observations are made.

- (a) According to the register of rent of stalls, although the rental income of the stalls amounted to Rs.1,591,850 it had been taken into the financial statements as Rs.1,477,850. Accordingly, rental income of the stalls had been understated by Rs.114,000
- (b) According to the particulars made available, the balance of the accumulated funds should be Rs.3,439,117, it had been shown as Rs.3,434,482 in the financial statements. Accordingly, the accumulated fund had been understated by Rs.4,635.
- (c) According to the Register of Fixed Assets, the value of the lands and buildings and the motor vehicles and carts totalled Rs.26,860,327, whereas it had been shown as Rs.45,753,577 in the balance sheet. Accordingly, value of the fixed assets had been overstated by Rs.18,893,250.
- (d) Refundable deposits of Rs.80,022 recovered from the library members had been erroneously transferred to the accumulated fund.
- (e) According to the information made available, although the arrears in the stamp fees income as at 31 December of the year under review should be Rs.312,550, it had been taken as Rs. 103,250 in to the balance sheet. Accordingly, the arrears in the stamp fees income had been understated by Rs.209,300 in the balance sheet.
- (f) According to the information made available, the loan amount and the arrears in the interest to be settled to the Domestic Loan Development Fund as at the end of the year under review amounted to Rs.148,709 and Rs.922,404 respectively, whereas it had been stated as Rs. 6,050,494 and Rs.1,010,924 in the financial statements.
- (g) Although the revenue of the trade licences for the year under review was Rs. 285,250 according to the Register of Revenue, it had been shown as Rs. 389,600 in the financial statements, thus overstating by Rs.104,350.

### 1.3.3 Lack of Evidence for Audit

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Since the Register of Fixed Assets for a sum totalling Rs 39,533,198 comprising Rs.32,106,327, Rs.1,366,506, Rs.13,647,250, Rs.2,382,345 and Rs.26,770 for land and buildings, machinery and equipment, motor vehicles and carts, furniture and fittings and office equipment respectively had not been made available to audit, that value could not be satisfactorily examined or vouched in audit.

### 1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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**(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.**

F.R. 757 (4)

A copy of the Annual Board Of Survey Report had not been furnished to audit.

**(b) Pradeshiya Sabha Rules**

Rules 153

A statement of income in arrears in accordance with the Format P.S.07 had not been maintained by the Pradeshiya Sabha.

## 2 Financial and Operating Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha of the year ended 31 December 2013 was Rs.1,103,267 as against the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.459,225, thus indicating an improvement of Rs. 1,562,492 in the financial results.

### 2.2 Revenue Administration

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#### 2.2.1 Performance of the Collection of Revenue

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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.	Rs.	Rs.
Rates and Taxes	4,000	-	--
Lease Rent	2,796,900	3,105,860	225,276
Licence Fees	415,000	392,770	--
Service Fees	1,685,000	2,258,035	--
Warrant Charges and Fines	455,000	1,589,918	629,000
Other Revenue	164,000	302,606	--

#### 2.2.2 Court Fines and Stamp Fees

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(a) Even though court fines amounting to Rs.525,750 was receivable from the Chief Secretary of the Eastern Provincial Council as at 31 December 2013, action had not been taken to recover that amount.

(b) Although stamp fees of Rs. 312,550 was due from the Registrar General from the year 2010 up to the year under review, action had not been taken to recover that amount.

3. Accountability and Good Governance  
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3.1 Budgetary Control  
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Variances ranging from 15 per cent to 100 per cent between the budgeted and actual expenditure of the year under review were observed. Accordingly, the budget had not been made use of as an effective instrument of financial control.

4. Systems and Controls  
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Special attention of the Sabha is needed with regard to the following areas of systems and controls.

- (a) Accounting
- (b) Fixed Assets Control
- (c) Recovery of Loan
- (d) Budget
- (e) Maintenance of Registers.